



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ANDERSON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Anderson County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$305,953 from the prior fiscal year, resulting in a cash surplus of \$1,172,575 as of June 30, 2001. Revenues increased by \$234,032 from the prior year and disbursements increased by \$525,219. Part of the increase in fund balance is due to a capital lease the county obtained to finish the Anderson County Park project. The county borrowed \$950,000 from the Kentucky Association of Counties Leasing Trust. The lease proceeds are held by a third party trustee and the county submits draw requests for the money as needed. As of June 30, 2001, the county had only drawn \$213,282 from the lease proceeds, leaving a \$736,718 surplus balance to be drawn by the county in future years.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$2,261,000 as of June 30, 2001. Future principal and interest payments of \$3,586,203 are needed to meet these obligations.

#### **Report Comments:**

- County Should Properly Account For Debt Service Payments And Proceeds
- County Should Make Daily Deposits
- EMS Training Checking Account Should Be Consolidated Into The General Fund

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Anderson County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Anderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Anderson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Anthony D. Stratton, Anderson County Judge/Executive  
Members of the Anderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2002 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Anderson County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- County Should Properly Account For Debt Service Payments And Proceeds
- County Should Make Daily Deposits
- EMS Training Checking Account Should Be Consolidated Into The General Fund

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 7, 2002



ANDERSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Anthony D. Stratton	County Judge/Executive
Randy Peyton	Magistrate
Hubert Shields	Magistrate
Bobby Peach	Magistrate
Alton Warford	Magistrate
Larry Smith	Magistrate
Betty Barnett	Magistrate

**Other Elected Officials:**

Betty Springate	County Attorney
Joani Clark	Jailer
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Jim Evans	Sheriff
John Allen Perry	Property Valuation Administrator
Brian Ritchie	Coroner

**Appointed Personnel:**

W. Dudley Shryock	County Treasurer
Donna Eckman	Occupational Tax Collector
Heather Hardin	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

ANDERSON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 37,152

Road and Bridge Fund:

Cash 57,924

Jail Fund:

Cash 145,035

Local Government Economic Assistance Fund:

Cash 19,817

Escrow Fund:

Cash 716,491

Court Fine Fund:

Cash 36,192

Payroll Revolving Account - Cash 30,920 \$ 1,043,531

Special Revenue Fund Type

E-911 Fund:

Cash 57,948

Capital Projects Fund Type

Capital Outlay Fund:

Cash \$ 76,454

Park Land Acquisition Company Fund:

Cash 24,082 100,536

Debt Service Fund Type

AOC Escrow Fund:

Cash 1,480

Total Assets \$ 1,203,495

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Other Resources

General Fund Type

Escrow Fund:

Amounts to be Provided in Future Years for Capital	
Lease Obligations - Park Improvement Principal	\$ 950,000

Debt Service Fund Type

AOC Escrow Fund:

Amounts to be Provided in Future Years for Capital	
Lease Obligations - AOC Courthouse Principal	<u>1,309,520</u>

Total Assets and Other Resources	<u>\$ 3,463,015</u>
----------------------------------	---------------------

Liabilities and Fund Balances

Liabilities

General Fund Type

Escrow Fund:

Capital Lease Obligation - Bond Principal Payments (Note 4.B.)	\$ 950,000	
Payroll Revolving Account	<u>30,920</u>	\$ 980,920

Debt Service Fund Type

AOC Escrow Fund:

Capital Lease Obligation - Bond Principal Payments (Note 4.A.)	1,311,000
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$ 37,152	
Road and Bridge Fund	57,924	
Jail Fund	145,035	
Local Government Economic Assistance Fund	19,817	
Escrow Fund	716,491	
Court Fine Fund	<u>36,192</u>	1,012,611

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2001  
(Continued)

Special Revenue Fund Type

E-911 Fund	\$	57,948
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Capital Projects Fund Type

Capital Outlay Fund	\$	76,454	
Park Land Acquisition Company Fund		<u>24,082</u>	<u>100,536</u>
Total Liabilities and Fund Balances	\$		<u><u>3,463,015</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ANDERSON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

		General Fund Type		
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,035,848	\$ 2,046,694	\$ 576,489	\$ 83,646
Transfers In	990,944	67,596	59,532	350,872
Borrowed Money	150,000			
Borrowed Money-Prior Year	250,000			
Kentucky Advance Revenue Program	50,000	50,000		
Lease-Purchase Proceeds	1,025,000		75,000	
Total Cash Receipts	<u>\$ 6,501,792</u>	<u>\$ 2,164,290</u>	<u>\$ 711,021</u>	<u>\$ 434,518</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,254,766	\$ 2,453,706	\$ 830,655	\$ 331,191
Schedule of Unbudgeted Expenditures	250,990			
Transfers Out	990,944			
Borrowed Money Repaid	400,000			
Kentucky Advance Revenue Program Repaid	50,000	50,000		
Total Cash Disbursements	<u>\$ 5,946,700</u>	<u>\$ 2,503,706</u>	<u>\$ 830,655</u>	<u>\$ 331,191</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 555,092	\$ (339,416)	\$ (119,634)	\$ 103,327
Cash Balance - July 1, 2000	<u>617,483</u>	<u>376,568</u>	<u>177,558</u>	<u>41,708</u>
Cash Balance - June 30, 2001	<u>\$ 1,172,575</u>	<u>\$ 37,152</u>	<u>\$ 57,924</u>	<u>\$ 145,035</u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.



ANDERSON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

General Fund Type			Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type	
Local Government Economic Assistance Fund	Escrow Fund	Court Fine Fund	E-911 Fund	Capital Outlay Fund	Park Land Acquisition Fund	AOC Escrow Fund
\$ 43,794	\$ 520,000 100,000	\$ 36,192	\$ 57,948	\$ 567,638	\$ 21,669 412,944 150,000 250,000	\$ 81,778
	950,000					
\$ 43,794	\$ 1,570,000	\$ 36,192	\$ 57,948	\$ 567,638	\$ 834,613	\$ 81,778
\$ 79,524	\$ 485,690 412,944	\$	\$	\$ 74,000 578,000	\$ 169,831 400,000	\$ 81,159
\$ 79,524	\$ 898,634	\$ 0	\$ 0	\$ 652,000	\$ 569,831	\$ 81,159
\$ (35,730) 55,547	\$ 671,366 45,125	\$ 36,192	\$ 57,948	\$ (84,362) 160,816	\$ 264,782 (240,700)	\$ 619 861
\$ 19,817	\$ 716,491	\$ 36,192	\$ 57,948	\$ 76,454	\$ 24,082	\$ 1,480

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Anderson County Park Land Acquisition Company as part of the reporting entity.

The Anderson County Park Land Acquisition Company is established for the purpose of acquiring and developing land for an Anderson County Park. The Anderson County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court

Additional - Anderson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Anderson County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Anderson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Escrow Fund, and the Court Fine Fund.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E-911 Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the AOC Escrow Fund. This fund was established to hold money deposited by AOC to provide for their portion of the debt service obligation for the courthouse renovation as agreed upon in a sublease agreement with the county. A third party trustee, Bank One, holds this fund. AOC deposits the biannual required amount, and then the trustee makes the debt service payments directly to KACOLT. The county pays KACOLT for the remainder of the debt service requirement out of the General Fund.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Capital Outlay Fund and the Park Land Acquisition Fund of the Fiscal Court are reported as Capital Projects Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Anderson County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the Park Land Acquisition Company Fund and the AOC Escrow Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 3. Deposits

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Capital Lease Agreements

A. Courthouse Annex

Anderson County entered into a \$1,448,000 capital lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 5.03 percent, and the agreement is to be paid in full by January 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance is \$1,311,000 as of June 30, 2001.

<u>Fiscal Year Due</u>	<u>Interest</u>	<u>Principal</u>
2001-02	\$ 77,747	\$ 50,000
2002-03	74,659	53,000
2003-04	71,390	56,000
2004-05	67,965	58,000
2005-06	64,394	61,000
2006-17	380,345	1,033,000
Totals	<u>\$ 736,500</u>	<u>\$ 1,311,000</u>

Anderson County subsequently entered into a sublease agreement with the Administrative Office of the Courts on June 24, 1997, for use of the courthouse annex as court facilities. The agreement states the Administrative Office of the Courts will deposit the agreed upon use allowance payments into a sinking fund until applied by the Trustee to the payment owed by the County under the original lease agreement. The Administrative Office of the Courts may renew this sublease agreement on July 1 of each even numbered year for another biennial period of two years.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Capital Lease Agreements (Continued)

B. Anderson County Park Project

Anderson County entered into a \$950,000 capital lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park project. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 4.70%, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance is \$950,000 as of June 30, 2001.

<u>Fiscal Year Due</u>	<u>Interest</u>	<u>Principal</u>
2001-02	\$ 50,735	\$ 30,000
2002-03	48,837	30,000
2003-04	47,110	35,000
2004-05	45,227	35,000
2005-06	43,343	35,000
2006-21	353,451	785,000
Totals	<u>\$ 588,703</u>	<u>\$ 950,000</u>

Total Capital Lease Principal is \$2,261,000.

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Front-End Loader and Trailer	June 18, 2001	June 20, 2003	4.00%	\$ 75,000

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





ANDERSON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,621,245	\$ 2,046,694	\$ (574,551)
Road and Bridge Fund	692,488	576,489	(115,999)
Jail Fund	422,740	83,646	(339,094)
Local Government Economic Assistance Fund	71,000	43,794	(27,206)
Escrow Fund	695,472	520,000	(175,472)
<u>Special Revenue Fund Type</u>			
CDBG Fund	946,947		(946,947)
<u>Capital Projects Fund Type</u>			
Capital Outlay Fund	<u>75,000</u>	<u>567,638</u>	<u>492,638</u>
Totals	<u>\$ 5,524,892</u>	<u>\$ 3,838,261</u>	<u>\$ (1,686,631)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 5,524,892
Add: Budgeted Prior Year Surplus	335,311
Less: Other Financing Uses	<u>(331,088)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 5,529,115</u>

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SCHEDULE OF OPERATING REVENUE



ANDERSON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 1,823,230	\$ 1,220,840	\$ 57,948	\$ 544,442	\$
Excess Fees	114,489	114,489			
Licenses and Permits	89,819	69,779		20,040	
Intergovernmental Revenues	1,422,376	1,341,244			81,132
Charges for Services	425,806	425,806			
Miscellaneous Revenues	140,385	119,322		21,063	
Interest Earned	19,743	15,335		3,762	646
Total Operating Revenue	<u>\$ 4,035,848</u>	<u>\$ 3,306,815</u>	<u>\$ 57,948</u>	<u>\$ 589,307</u>	<u>\$ 81,778</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

ANDERSON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 621,488	\$ 617,726	\$ 3,762
Protection to Persons and Property	1,522,043	1,430,606	91,437
General Health and Sanitation	88,316	88,308	8
Social Services	25,041	25,041	
Recreation and Culture	784,724	574,375	210,349
Roads	849,945	856,636	(6,691)
Debt Service	62,437	50,193	12,244
Administration	553,174	537,881	15,293
Total Operating Budget - All General Fund Types	\$ 4,507,168	\$ 4,180,766	\$ 326,402
Other Financing Uses:			
Transfers To Park Land Acquisition Company		412,944	(412,944)
Borrowed Money- Kentucky Advanced Revenue Program - Principal	331,088	50,000	281,088
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 4,838,256</u>	<u>\$ 4,643,710</u>	<u>\$ 194,546</u>



ANDERSON COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 946,947	\$	\$ 946,947
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 946,947</u>	<u>\$ 0</u>	<u>\$ 946,947</u>

CAPITAL PROJECTS FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,000	\$	\$ 1,000
Recreation and Culture	<u>74,000</u>	<u>74,000</u>	
TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	<u>\$ 75,000</u>	<u>\$ 74,000</u>	<u>\$ 1,000</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES



ANDERSON COUNTY  
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	<u>Park Land Acquisition Company</u>	<u>AOC Escrow Fund</u>
Park Improvements	\$ 143,185	\$
Corporation Fees	4	
Interest Paid On Loans	26,642	
Debt Service Payments to KACO		81,132
Bank One Administrative Fees		27
		<hr/>
Totals	<u>\$ 169,831</u>	<u>\$ 81,159</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Anthony D. Stratton, Anderson County Judge/Executive  
Members of the Anderson County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Anderson County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Anderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- County Should Properly Account For Debt Service Payments And Proceeds
- County Should Make Daily Deposits
- EMS Training Checking Account Should Be Consolidated Into The General Fund

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 7, 2002

## COMMENTS AND RECOMMENDATIONS



ANDERSON COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2001

NONCOMPLIANCES

1. County Should Properly Account For Debt Service Payments And Proceeds

When the auditor was verifying the debt service expenditures for the AOC Courthouse Renovation lease, it was noted that the expenditures were posted on the Quarterly Report under the line item 01-5087-699, which is Courthouse Renovation. Since these payments are now to service the debt for the renovation, the expenditures should be posted to debt service expenditures, which would be 01-7700-606, Interest on Leases. Also, during fiscal year 2001, Anderson County entered into two new lease agreements with KACOLT. One was for \$950,000 to finish the park and the other was for \$75,000 to buy the Road Department a Loader/Trailer. When the auditor tried to trace the lease proceeds to the receipts ledger, the amounts could not be located. After further investigation, the auditor discovered that instead of posting a receipt, the Treasurer decreased expenditures by this amount. While the net effect on the fund balance would be the same, on a modified cash basis of accounting, this approach would be understating both revenues and expenditures. The Department for Local Government Handbook states any borrowed money that is not reflected in the original budget estimate must be amended into the budget and be properly reflected on the financial report as a receipt as well as expenditure. The auditor made audit adjustments for both of these lease proceeds receipts to reflect the true receipts and expenditures. We recommend that future debt service payments and proceeds be properly accounted for on the county's financial statements.

*County Judge/Executive Anthony D. Stratton's Response:*

*2002-2003 Budget has changed coding. 2001-2002 Treasurer's Report has changed coding also. I will post lease proceeds into receipt account rather than reduce expenditures. Please note for 2001-2002 auditor that this situation/posting will be the same, since it is already June and the fiscal year will close before I have time to amend the budget to increase receipts and expenditures for this full disclosure reporting.*

2. County Should Make Daily Deposits

The Anderson County EMS collects money for ambulance runs and then delivers the collections to the County Finance Officer for deposit into the county's General Fund. Starting December 26, 2000, the EMS employee delivering the funds would have the Finance Officer sign for the receipt and note the date by the signature. While confirming these payments, the auditor made a spreadsheet for December 26, 2000, through June 29, 2001, showing the date funds were received by the EMS, the date the funds were signed for by the Finance Officer, and the date the funds deposited cleared the bank. Two delays were noted during this test. The first delay was between when the EMS received the funds and when the Finance Officer signed for the receipt. Sometimes the EMS would even hold several days' collections and then take them over together. For instance, the Finance Officer did not sign for receipts for April 10, 2001 through April 16, 2001, until April 16, 2001. The amount of collection for April 10, 2001 was \$10,091.72. The second delay occurred between the date the Finance Officer signed for the funds and the date the deposit cleared the bank. The same deposit described above did not clear the bank until April 25, 2001.

COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2001  
(Continued)

2. County Should Make Daily Deposits (Continued)

We recommend the collections for the Anderson County EMS services be sent directly to the Anderson County Treasurer to eliminate the delays and insure the funds are deposited daily in order to maximize interest earned on the county's funds and to safeguard the receipts.

*County Judge/Executive Anthony D. Stratton's Response:*

*Improved procedures are in the process of being implemented immediately. Mail receipts will be picked up by the Judge's Office, processed, and deposited in a more timely manner.*

3. EMS Training Checking Account Should Be Consolidated Into The General Fund

While performing audit procedures, it came to the auditor's attention that a checking account was being utilized by the Anderson County EMS Department. The deposits to this account were fees collected for training EMS employees from other counties. The expenditures were for various items such as uniforms, postage and office expenses. The EMS Director and the EMS Bookkeeper signed the checks. The receipts, disbursements and fund balance for this account are not being shown on the county's financial statements since the Fiscal Court did not authorize the account and the Treasurer was not being informed of the activity. All county receipts should be deposited into an official bank account of the county and all disbursements should be authorized by the Fiscal Court and drawn on a warrant co-signed by the County Judge/Executive and the County Treasurer. We recommend that the balance of this EMS Training Account be turned over to the County Treasurer for deposit into the General Fund, the EMS Training Account be closed and that all future activity of this nature be accounted for through the General Fund.

*County Judge/Executive Anthony D. Stratton's Response:*

*Agreed wholeheartedly.*

PRIOR YEAR FINDINGS

The County Should Properly Account For All Receipts And Disbursement Of The Loan And Lease-Purchase Agreement With KACO and AOC.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

ANDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

Appendix A

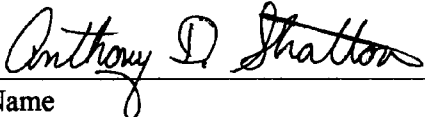





CERTIFICATON OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
ANDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
Judge Executive

  
\_\_\_\_\_  
Name  
County Treasurer

